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STATE OF MONTANA

OFFICE OF THE LEGISLATIVE FISCAL ANALYST

Report on Examination of Financial Statements
Two Fiscal Years Ended June 30, 1983

Performed under Contract by

Kindred Holland & Co.

STATE DOCUMENTS COLLECTION

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OFFICE OF THE LEGISLATIVE FISCAL ANALYST

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Two Fiscal Years Ended June 30, 1983

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/449-3122



ROBERT R. RINGWOOD
LEGISLATIVE AUDITOR

October 1983

DEPUTY LEGISLATIVE AUDITORS:

JAMES H. GILLET
FINANCIAL/COMPLIANCE AUDITS

SCOTT A. SEACAT
PERFORMANCE AUDITS

STAFF LEGAL COUNSEL

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislative Fiscal
Analyst for the two fiscal years ended June 30, 1983.

The audit was conducted by Kindred, Holland and Company under a
contract between the firm and our office. The comments and recom-
mendations contained in this report represent the views of the firm
and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

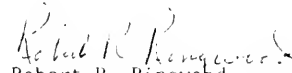

Robert R. Ringwood
Legislative Auditor

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ELECTED AND APPOINTED OFFICIALS

LEGISLATIVE FINANCE COMMITTEE
1983 - 1985

SENATORS

Fred VanValkenburg, Chairman
Ed B. Smith
Roger Elliott
Jack Haffey
George McCallum
Pat Regan

REPRESENTATIVES

Gene Donaldson, Vice-Chairman
Francis Bardanouve
Esther Bengston
Ron Miller
Ray Peck
Calvin Winslow

1981 - 1983

SENATORS

Ed B. Smith, Chairman
Gary Aklestad
Jack Haffey
George McCallum
Pat Regan
Fred VanValkenburg

REPRESENTATIVES

Thomas Conroy, Vice-Chairman
Francis Bardanouve
Esther Bengston
Gene Donaldson
Jack Moore
Robert Marks

Judy Ripplingale, Fiscal Analyst

INTRODUCTION

We performed a financial/compliance audit of the Office of the Legislative Fiscal Analyst for the two fiscal years ended June 30, 1983. The objectives of the audit were to: (1) determine if the Office's financial statements present fairly its financial position at June 30, 1983 and the results of operations for the two fiscal years then ended; (2) determine if the Office complied with applicable laws and regulations; and (3) make recommendations for the improvement in the management and internal controls of the Office. The Office of the Legislative Fiscal Analyst was last audited in 1981.

BACKGROUND

The Office of the Legislative Fiscal Analyst was created as part of the Legislative Finance Act, which became law in 1975. The Office is under the supervision and control of the Legislative Finance Committee.

The Fiscal Analyst is responsible for the following:

1. Analyzing fiscal records of state government, furnishing information bearing upon the financial matters of the state.
2. Estimating revenue from existing and proposed taxes.
3. Analyzing the executive budget and budget amendments.
4. Reporting to and assisting legislative committees and individual members on financial information.

The Office of the Fiscal Analyst employed 14 full-time employees in the year ended June 30, 1982 and 14 in the year ended June 30, 1983.

The Office was appropriated \$540,319 from the General Fund for operations during fiscal year 1981-1982 and \$595,467 from the General Fund during fiscal year 1982-1983.

The Office spent \$444,696 during fiscal year 1982 and \$561,579 during fiscal year 1983. Expenditures increase during legislative session years, as is the case in 1982-1983.

INTERNAL CONTROLS

We have examined the financial statements of the Office of the Legislative Fiscal Analyst for the two fiscal years ended June 30, 1983 and have issued our report thereon dated September 28, 1983. As part of our examination we made a study and evaluation of the office's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted governmental auditing procedures necessary for expressing an opinion on the financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Office of the Legislative Fiscal Analyst is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the Office are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the Office with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with the Office's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The internal control review of the Office was limited to evaluation of controls over revenue, expenditures, payroll, and plant, property, and equipment. We applied substantive audit testing to these areas as it gave us more effective results. We also applied compliance testing to those controls dealing with state laws and procedures.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Office of the Legislative Fiscal Analyst taken as a whole. However, our study and evaluation disclosed no material weaknesses in internal control.

PRIOR REPORT RECOMMENDATIONS

The Office of the Legislative Fiscal Analyst was last audited for the fiscal year ended June 30, 1981 under a contract with the Office of the Legislative Auditor. Of the two recommendations made, only one is still applicable. Legislators serving on the Finance Committee are now paid through the state central payroll system.

FINAL COMMENTS

The preceding comments and recommendations are intended solely for the use of management and the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document, which upon acceptance by the Legislative Audit Committee, is a matter of public record.

We thank the Legislative Fiscal Analyst and her staff for their cooperation and assistance during our audit.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS



Karen M. Booker
Marcia E. Goodell
Michael W. Danzer
Edward C. Kerins

Ann J. Kindred

Certified Public Accountants

555 Fuller Avenue
P.O. Box 245
Helena, MT 59624-0245
(406) 442-4206

September 28, 1983

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the combined Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual of the various funds and account groups of the Office of the Legislative Fiscal Analyst as of and for the two fiscal years ended June 30, 1983. Our examination was made in accordance with generally accepted governmental auditing standards for financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of such funds and account groups of the Office of the Legislative Fiscal Analyst at June 30, 1983 and the results of its operations and the changes in fund balances of such funds for the two fiscal years then ended, in conformity with generally accepted accounting principles which have been applied on a consistent basis.

Legislative Audit Committee

September 28, 1983

Page 2

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures by Object is presented for additional analysis and is not a required part of the combined financial statements for the Office of the Legislative Fiscal Analyst. This information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kindred Holland & Co.

KINDRED HOLLAND & CO.

Certified Public Accountants

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1983

	GOVERNMENTAL FUND TYPES	ACCOUNT GROUPS
	<u>General Fund</u>	<u>General Fixed Assets</u>
<u>ASSETS</u>		
Prepaid expenses	\$ 85	
Equipment and improvements		\$ 66,834
Amount available to pay accounts payable and accrued expenditures	<u>35,245</u>	<u> </u>
Total Assets	\$ <u>35,330</u>	\$ <u>66,834</u>
 <u>LIABILITIES AND FUND EQUITY:</u>		
<u>Liabilities:</u>		
Accounts payable	\$ 35,245	
Due to State of Montana	<u>85</u>	
Total Liabilities	35,330	
 <u>Fund Equity:</u>		
Investment in General Fixed Assets		\$ 66,834
Fund Balance	<u>0</u>	<u> </u>
Total Liabilities and Fund Balance	\$ <u>35,330</u>	\$ <u>66,834</u>

The accompanying notes are an integral part of these statements.

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN GENERAL FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1983

	<u>GENERAL FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Expenditures:			
Financial analysis program	\$ 595,467	\$ 561,579	\$ 33,888
Excess current revenue over (under) current expenditures	(595,467)	(561,579)	33,888
Other Financing Sources:			
Support from the State of Montana	595,467	561,579	33,888
Excess revenues over (under) expenditures and other sources	0	0	0
Fund balance July 1, 1982	0	0	0
Fund balance June 30, 1983	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

The accompanying notes are an integral part of these statements.

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN GENERAL FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

	<u>GENERAL FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Expenditures:			
Financial analysis program	\$ <u>540,319</u>	\$ <u>444,696</u>	\$ <u>95,623</u>
Excess current revenue over (under) current expenditures	(540,319)	(444,696)	95,623
Other Financing Sources:			
Support from the State of Montana	<u>540,319</u>	<u>444,696</u>	<u>95,623</u>
Excess revenues over (under) expenditures and other sources	0	0	0
Fund balance July 1, 1981	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance June 30, 1982	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

The accompanying notes are an integral part of these statements.

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 1983 AND JUNE 30, 1982

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System. The Office of the Legislative Fiscal Analyst is a segment of the Legislative Branch of the State of Montana.

The accounting records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded on the basis of incurred costs or legal liability and revenues are recorded when received in cash unless susceptible to accrual. Revenues are susceptible to accrual if (1) they are measurable and available to finance expenditures of the fiscal period or (2) are material in amount and are not received at the normal time of receipt.

Fund Types and Account Groups

The State of Montana accounts are organized by a fund structure as outlined in Section 17-02-102, MCA. For financial presentation, these funds have been reclassified according to the Governmental Accounting and Financial Reporting Principles, Statement 1 issued by the National Council on Governmental Accounting.

Governmental Funds

General Fund -- to account for all financial resources allocated by the State for support of the agency's programs and administration.

Account Group

General Fixed Assets -- to account for fixed assets in a self balancing group of accounts.

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 1983 AND JUNE 30, 1982

NOTE 2. VACATION AND SICK PAY

Liabilities incurred because of unused vacation and sick pay by employees are not reflected on the financial statements. The related expenditure is recorded when paid. Permanent employees are allowed to accumulate and carry over a maximum of two years' vacation into a new calendar year. Excess vacation time is not forfeited if taken within 90 days from the last day of the calendar year. Upon termination, qualifying permanent employees having unused accumulated vacation and sick leave receive payment for vacation on a 100 percent basis and sick leave on a 25 percent basis. The amount of the liability associated with unused accumulated vacation and sick leave at June 30, 1982 and June 30, 1983 is not readily determinable.

NOTE 3. GENERAL FIXED ASSETS AND IMPLEMENTATION OF PAMS

General fixed assets are expensed at the time of purchase. The Office of the Legislative Fiscal Analyst accounts for fixed assets, recorded at cost, on the Property Accountability Management System (PAMS). Fixed assets recorded on PAMS consist of assets of a relatively permanent nature with a useful life of more than one year and a unit, or aggregated, cost of \$200 or more. Depreciation is not recorded for general fixed assets.

NOTE 4. RETIREMENT SYSTEM OBLIGATIONS

Employees at the Office of the Legislative Fiscal Analyst are covered by the Public Employees' Retirement Plan. This contributory retirement plan involves matching amounts paid by the eligible employee and employer. The agency incurred pension plan costs of \$ 19,100 during fiscal year 1981-82 and \$ 21,677 during fiscal year 1982-83. The State contributes 6.2 percent of an employee's

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 1983 AND JUNE 30, 1982

NOTE 4. RETIREMENT SYSTEM OBLIGATIONS (Continued)

gross wages and the employee contributes 6 percent of his/her gross wages to the plan.

The State's policy is to fund accrued pension costs. The Public Employees' Retirement System was actuarially sound, at June 30, 1982, the date of the most recent actuarial valuation. The unfunded past service costs and the actuarially computed value of vested benefits were not readily available for members of the plan employed by the agency.

NOTE 5. BUDGET INFORMATION

The Office of the Legislative Fiscal Analyst utilizes a fixed annual basis of budgeting. Under the fixed annual method, appropriations of specific dollar amounts are set for each fiscal year of a biennium by the Legislature. At the end of each year, the remaining appropriation balance reverts to the fund of original appropriation. The reverted appropriation may be used in the subsequent year as authorization for valid prior years obligations.

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
SCHEDULE OF EXPENDITURES BY OBJECT - GENERAL FUND
FOR THE FISCAL YEARS ENDING JUNE 30, 1983 AND JUNE 30, 1982

	<u>1983</u>	<u>1982</u>
Personal Services:		
Salaries	\$ 362,262	\$ 308,478
Benefits	<u>65,383</u>	<u>56,470</u>
Total	\$ 427,645	\$ 364,948
Operating Expenses:		
Contracted services	70,248	20,275
Supplies and materials	16,212	10,910
Communications	7,042	7,321
Travel	10,452	18,940
Rent	8,235	3,366
Repair and maintenance	14,219	13,634
Other expenses	<u>3,069</u>	<u>2,015</u>
Total	129,477	76,461
Equipment	<u>4,457</u>	<u>3,287</u>
Total expenditures	\$ <u>561,579</u>	\$ <u>444,696</u>

The accompanying notes are an integral part of these statements.

AGENCY RESPONSES



STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/449-2986

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

October 18, 1983

Kindred Holland and Co.
Certified Public Accountants
P.O. Box 245
Helena, MT 59624-0245

Dear Sirs:

I have reviewed your audit report on the examination of the financial statements for fiscal years 1982 and 1983 and I concur with the opinion you have expressed on those statements.

Please let me know if I can be of further assistance to you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judy Rippingale".

Judy Rippingale
Legislative Fiscal Analyst

CR-1:jc:n

